DRAFT

ASC Social Auditing Methodology

Overview

This document is intended to provide an overview of the new ASC Social Auditing Methodology to support stakeholders in understanding the background, rationale and process of its development. It is meant to frame the consultation on the methodology. It purposely does not go into details on the tools and methodology, which can be found in the actual documents and tools (Certification and Accreditation Requirements [CAR] v.2.2). For those with more interest in the technical details, you can contact ASC (standards@asc-aqua.org) and join our webinar during the public consultation period (to be announced on our website)

Background

Aquaculture continues to be one of the fastest-growing food sectors worldwide. It provides an important alternative to wild-capture fisheries and it also serves as an important source of protein, economic development, and employment for communities around the globe. Social responsibility has been a key component of ASC since its inception. This has resulted in standards that cover social issues, such as labor rights, contract farming, and community relations; however, coverage is not coherently addressed for the different species standards.

ASC has embarked on a standard review process to strengthen and align the compliance requirements across the ASC standards. This includes the proposal for 3 aligned principles around the triple bottom line concept:

Principle 1 - The UoC[1] operates legally and applies effective business management

Principle 2 - The UoC operates in an environmentally responsible manner

Principle 3 - The UoC operates in a socially responsible manner

Principle 3 on social responsibility includes 14 harmonized criteria related to Workers (upholding rights, decent and safe labour conditions, grievances) and the Communities (including indigenous rights) that they operate in.

In addition, ASC is extending the accountability for social issues beyond the farm to the other parts of the value chain. This includes feed mills and potentially processors in response to stakeholders' requests.

With this broadening of the scope and restructuring, there is also the need to strengthen the assurance system around social auditing through the Certification and Accreditation Requirements (CAR). The CAR is a normative document.

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[1] Hereafter called "Client"

Objectives and Guiding Principles of the Approach

ASC has developed a systematic approach towards auditing social issues to ensure harmonious application of ASC social requirements in aquaculture farms, processing plants, and feed mills. Several key aspects of the approach taken in designing the methodology include:

- Integration into and builds upon the existing CAR
- Based on the new proposed aligned standard
- Consideration of other third party social compliance and certification schemes for synergies and efficiencies such as SA8000, BSCI, SEDEX SMETA and potentially other schemes recognized by the Consumer Goods Forum's Sustainable Supply Chain Initiative (SSCI) for respective types of operations.
- Consideration of widely accepted social related indices that are relevant for the seafood sector
- Balancing robust and cost-efficient system
- Risk-based.

The Certification and Accreditation Requirements (CAR)[2]

Building upon the current ASC's CAR is Version 2.2 which integrates a new methodology for auditing ASC social requirements. This is based on months of research involving expert workshops, CAB surveys on current practices, consultation with other social auditing systems and internal and external expert input. Version 2.2 is open for public consultation on March 14, 2019. Major additions include:

➢ Explicit 2-stage audit on social with a comprehensive Desk Review before the on-site audit. The procedure is integrated into Section 7.2 Audit Preparation and Planning and 17.3 Audit Methodology. In order to ensure consistency and effectiveness in implementation, tools and templates were developed for the Desk Review.
  o These include Client's information sheet, List of documents to be submitted by the client and CAB review. These required templates are in Annex F of the CAR.
  o 7.2.0.3 Social Risk Assessment as part of the Desk Review using the ASC Excel-based Tool in Annex G. See more details below.

➢ Introduction of a new section on social auditing procedures: 17.18 Execution of an audit of social requirements which is based on best practices in social auditing of existing systems covering opening and closing meetings, document review and interviews.

➢ Adjusted requirements for audit teams in Section 16. Resource Requirements and competency requirements for social auditors in Annex B Table C.

➢ Introduction of a new category of non-conformity, 17.10.1.3 Critical social non-conformity addressing danger for workers' rights and life.

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[2] Only texts in blue are additions to the current version of the CAR (v.2.1) to reflect this social auditing methodology. Comments are only expected for the blue texts (additions).

Accreditation against CAR v.2.2

To deliver ASC certification, CABs (applicants) must be accredited by ASC appointed Accreditation Body (ASI GmbH) against the CAR.

ASC Social certificate can be issued separately for entities like ASC CoC certified processing plants.

ASC CABs already accredited for farm certification must comply with and audit to newly introduced requirements in CAR v.2.2 before the effective date of the newly released version[3] but companies can implement it earlier. They are eligible for carrying out ASC social audits and certification of both processing plants and feed mills.

CABs wishing to be accredited for ASC social certification of feed mills will have to comply with CAR at any time from the release date of the version v.2.2.

Applicability

The ASC Social Auditing Methodology applies to:

- All types of client (single/multi-site/group) AND
- Supply chain actors: feed mills/farms/ASC Chain of Certification (CoC) certificate holders and/or applicants for ASC CoC certification.

The methodology is expected to become mandatory one year after the release date of the CAR v.2.2 for all entities seeking for or wishing to maintain ASC certification.

ASC Social Risk Assessment

ASC Social Risk Assessment provides a structured methodology for consistency and balanced level of assurance of the audit process based on (1) risk levels of countries, where clients' operations applying for certification are located, and (2) social performance of the clients' operations itself. It factors in cases where clients already have other social schemes in place, like SA8000, BSCI, etc. in order to avoid duplication and consider the potential reduced risk.

The methodology is focused on the scope of the proposed aligned standard and the potential risks to achieving the intended outcomes of the Standard.

The risk assessment is based on seven (7) social risk areas (threats), each comprised of a number of elements (see Table 3). This provides a manageable and standardized approach to

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[3] To be announced upon the release

dealing with the complexity of the multitude of factors affecting risk in terms of the audit and its context.

Based on the different elements, the risk profile of the client operation is determined. This in turn determines the following '**Audit Intensity'** guidance for CABs: (i) for each social area (workers and community related), audit scope, frequency and auditor qualifications (ii) the minimum number of workers to be interviewed and whether audits are to be announced or not. Using such risk-based approach increases efficiency and enables better resource allocation and focus on what matters.

The methodology will facilitate a more level playing field for all actors in terms of rigor and consistency of the assurance process by systematizing the factors and categories, as well as the audit implications.

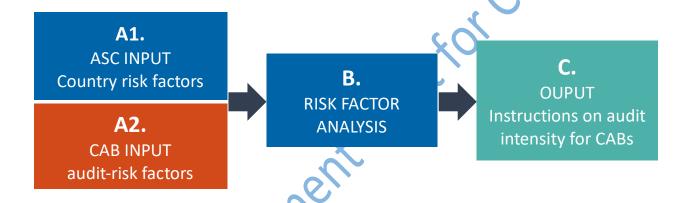There are 4 main components of the methodology (Figure 1) described in the following pages.

A1.
ASC INPUT
Country risk factors

A2.
CAB INPUT
audit-risk factors

B.
RISK FACTOR
ANALYSIS

C.
OUPUT
Instructions on audit intensity for CABs

Figure 1- ASC Social Risk Assessment framework

Country Risk Assessment

Operating in any country poses risks. There are several internationally recognized country risk indices that exist related to rule of law, corruption, health and safety, etc. These rankings are systematic, consistent, and based on objective evidence. ASC has developed a country risk ranking based on four (4) key reference indices (*Table 1 - External Ind*ices), plus ASC specific considerations (internal Index).

Figure 2 - Approach to developing ASC Country Risk LIst

The Country Risk List will be available publicly on ASC website and will be updated at a minimum on an annual basis, taking into account updated external and internal indices.

External Country Risk Rankings

Several country risk rankings were identified which ASC has integrated into one country risk ranking as each has a slightly different methodology, scope and scoring (*Table 1*). They were selected based on their relevancy in terms of social issues and for the seafood sector specifically, operational experience and consideration that they are regularly updated to incorporate changing contexts and issues. ASC determined all to be different but equally important. In order to bring them together, each index was individually normalized into a 1/2/3 (low/medium/high) classification and simply averaged for a mean external index (*Table 2 – ASC Social Risk List*). The four indices have been used are:

Table 1 - External Indices

WGI Risk Level for SA8000 System 2014[4] Currently, no public institution produces a single national score, index or ranking directly related to labor conditions so SA8000, the leading labor certification standard SA8000 developed its own country risk assessment based on Worldwide Governance Indicators (WGI). WGI, based on public data, covers six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. http://www.saasaccreditation.org/countryriskassessment
Trafficking in persons The Trafficking in Persons (TIP) Report is the U.S. Government's tool which places each country onto one of three tiers based on the extent of their governments' efforts to comply with the "minimum standards for the elimination of trafficking" https://www.state.gov/j/tip/rls/tiprpt/
Corruption Perception Index (2017)

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[4] The latest version of WGI was released in September 2018. ASC will update its Social risk country list as soon as SAI/SAAS publishes their adjusted rakings.

Transparency International has published the Corruption Perceptions Index since 1995, annually ranking 180 countries and territories "by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys."
https://www.transparency.org/research/cpi/overview

Global Slavery Index 2018
Conducted by the Walk Free Foundation, the index provides a country by country ranking of the number of people in modern slavery, as well as an analysis of the actions governments are taking to respond, and the factors that make people vulnerable. The 2018 Vulnerability Model maps 23 risk variables across five major dimensions: Governance Issues, Lack of Basic Needs, Inequality, Disenfranchised Groups and Effects of Conflict. The mapping of at risk G20 products provides more sector specific focus. The index includes am assessment of the actions governments are taking to respond to modern slavery.
https://www.globalslaveryindex.org/

ASC Internal Country Risk Rankings

The ASC internal country risk index looks mainly at the history of social non-conformities detected at ASC clients in the countries of operation. ASC will take a precautionary approach to assign values to countries based on its first-hand evidence of ASC audit performance at the country level. This makes the approach ASC specific and sensitive to sector and system specific issues. In the final risk determination, the internal ASC risk index will be given a slightly higher weight (60%) than the external averaged index (40%). As more data from ASC audit becomes available, the ASC risk index will take precedence. Until the internal index is completed, the External average Index is used as the basis.

Table 2 – ASC Social Risk List

| | Missing Data Score: | | | 2 | CPI Risk Thresholds (H,M) | | 60 | 30 | | | | Aggregate Risk Thresholds (H,M): | | | 2 | 1,2 |
| | | | | | | | | | | | | External v Internal Risk Weighting | | | 40 | 60 |

ASC Countries	Country Aggregate Index - External Indices / 1. WGI Risk Indicators							Aggregate External Indicators				Normalised External Indicators					ASC Internal Index				Aggregate Index	
Country/Territory	VOICE AND ACCOUNTABILITY	POLITICAL STABILITY AND VIOLENCE	GOVERNMENT EFFECTIVENESS	REGULATORY AUTHORITY	RULE OF LAW	CONTROL OF CORRUPTION	Avg. WGI % Rank	1. WGI: WGI Risk Level for SA8000 System 1 updated 2014	2. Trafficking: Traffic in persons (see Guide)	3. Corruption: Corruption Perception Index	4. Slavery: Global Slavery Index 2018	1. WGI: WGI Normalized (SA8000)	2. Trafficking: Traffic in persons Normalized	3. Corrupti: CPI Normalized	4. Slavery: Global Slavery Index normalised	External Indices Mean	NCs from ASC farm audits	No. certified producers (farms (ile & multi site)	Mean NCs/Audit	ASC specific issues: product, species, sector	External & ASC Indices Mean	Aggregate Country Index
Australia	94,09	81,90	92,31	97,60	95,19	93,27	93	Lower	Tier 1	77	BBB	1	1	1	1	1	18	18	1,0		1,00	LOW
Belize	69,95	49,05	26,44	31,25	18,27	49,52	49	High	Tier 3			2	3	2	2	2,25	4	3	1,3		1,70	MEDIUM
Brazil	61,58	30,00	47,60	46,63	51,92	38,46	57	High	Tier 2	37	BB	2	2	2	2	2	12	6	2,0		2,00	HIGH
Canada	96,06	93,33	95,19	94,23	96,63	95,19	94	Lower	Tier 1	82	BB	1	1	1	2	1,25	33	26	1,3		1,26	LOW
Chile	76,85	63,81	79,33	89,90	84,62	82,21	84	Lower	Tier 1	67	BBB	1	1	1	1	1	118	107	1,1		1,06	LOW
China	6,9	27,14	67,79	44,23	46,15	49,04	36	High	Tier 3	41	CC	2	3	2	3	2,5	15	7	2,1	voice, traffiking	2,29	HIGH
Colombia	49,75	13,81	54,33	67,31	41,35	44,23	44	High	Tier 1	37	B	2	1	2	2	1,75	9	5	1,8		1,78	MEDIUM
Costa Rica	85,22	70,48	66,83	67,79	67,31	75,48	71	Lower	Tier 2	59	BB	1	2	2	2	1,75	6	3	2,0		1,90	MEDIUM
Denmark	98,03	74,76	99,04	92,31	97,60	99,04	97	Lower	Tier 1	88	BB	1	1	1	2	1,25	37	29	1,3		1,27	MEDIUM

CAB Input – Audit Risk Factors

Data provided by the client for CAB's Desk Review is used as the input for a series of nine (9) questions related to scope, context, and results of any prior audits. Most are simple Yes/ No questions and tied to standardized lists of implications, which are in the background of the tool. These have been developed taking multiple risk factors into consideration. This creates a standardization of responses reducing a great level of the subjectivity, as well as enables weighting.

The nine (9) questions (*Table 3*) requiring input from the CAB are based on the following, with specific guidance on each of these provided to the CAB for consistent implementation;

1. No of employees (to determine number of workers to be interviewed)
2. Country of operation (for country risk ranking)
3. Existing management system based social certifications or audits (e.g. SA8000, ISO 45000, BSCI, etc.)
4. Worker related issues at the client's operation
5. Community related issues
1. Client' complaints resolution
2. Subcontractors
3. Resolution of social non-conformities (NCs)
4. No. of NCs in prior audit (by social theme, major/minor)

These questions are presented in an excel table for CABs to fill out. Detailed instructions for answering these questions are provided in Annex G of the CAR v.2.2.

Table 3 – CAB Input – Example of data input for a low-risk audit scenario

A. DATA INPUT (CAB/ auditor)

A1. Highest number of employees across the unit of certification - in production-cycle?	100	
A2. Country in which the unit of certification is located?	Australia	**Mgt. Risk Rank**
A3. Existing management system based social standard certification?	SA8000	1

A4. Worker Rights - Labour contractors, migrant & seasonal labour

a. Is/are labour contractor(s) (brokers/middlemen) used?	NO	
b. Are migrant workers from same country?	NO	
c. Are international migrant workers present?	NO	**Agg. Risk Rank**
d. Temporary/ seasonal worker level?	NONE	1

A5. Community Rights

a. UoC within or directly adjacent to indigenous or vulnerable communities?	NO	
b. Unresolved (substantive) community complaints against UoC?	NO	**Agg. Risk Rank**
c. Environmental and/or Social Impact Assessment (ESIA) identifies severe & probable community impacts?	NO	1

A6. Complaints resolution performance

a. Presence of internal or external complaints?	NO	
b. Internal or external complaints unresponded or unresolved within deadline?	YES	**Agg. Risk Rank**
c. Complaint responses/ resolution delayed or avoided AND/OR escalated to legal actions?	YES	1

A7. Subcontractors (both on-site and off-site)

a. Subcontractor(s) used?	NO	
b. Subcontractor(s) are not ASC certified?	YES	**Agg. Risk Rank**
c. Subcontractors not annually monitored by competent UoC staff on ASC standard with records accessible to ASC auditors?	YES	1

A8. Resolution of social non-conformities (NCs)

a. Any social NCs in prior ASC or other 3rd-party audit?	NO	
b. Any social NCs in prior ASC audit not closed by deadline?	NO	**Agg. Risk Rank**
c. Any social NCs in any prior 3rd-party audits not closed by deadline?	NO	1

A9. No. of social non-conformities (NCs) detected in prior audit	Minor NCs	Major NCs	Critical NCs
a. Effective Management System	0	0	0
b. Workers Rights	0	0	0
c. Community Rights	0	0	0

Risk Factors Analysis

The combination of responses to the 11 questions in the CAB input Section determines aggregate risk rankings (high/medium/low – H/M/L), which are then linked to audit-intensity guidance from an underlying 'audit-threat' matrix.

Social Non-conformities Weighting

Greater risk-assurance for surveillance and recertification audits is achieved by processing the number of social NCs recorded in the prior audit from CAB input. These are expressed as a ratio of NCs to the total number of indicators under each of the related social themes, calculated separately for minor and major NCs. Results are assigned to H/M/L categories based on pre-set thresholds.

The Threats Ranking and Scoring

The threats ranking and scoring are based on seven (7) threats; 1-5 for initial and 1-7 for surveillance audits:

1. Management system weakness
2. Workers rights not protected/unsafe working & living conditions
3. Community rights are not respected
4. Country context risks: rule of law, enforcement, human rights violations, etc.
5. Subcontractors to the client operations, incl. subcontracted farms/ factories and services
6. Complaints resolution weakness
7. Social non-conformities (NCs) detected in previous audit.

Based on CAB input, each of these threats is automatically assigned High/Medium/Low risk ranks associated with pre-set scores. The sum of the scores is used to estimate interview sample size based on the total number of workers employed across the entire unit of certification. This part of the analysis follows the multi-site calculator approach using an adjustable root function.

ASC consider three (3) threats (2. worker-rights, 4. country-risk, and 7. Social NCs) to pose an especially high risk to certification integrity. Consequently, if any single one of these threats is ranked as high, the tool automatically incurs a high-risk correction factor (RCF). In other words, high-risk scores on any of these will tip the overall risk weighting towards high, resulting in maximization of the interview sample-size estimation.

In addition, the tool enables a high risk "override" if the results from social NC weighted average exceeds the pre-set 'high-risk' threshold. In other words, if there is direct evidence of poor performance of the client's operation through high NCs, then the tool tips the overall risk assessment to high.

Inclusion of multiple (ASC) user-modifiable weighting and risk threshold cells within the tool, also supports rapid iterative adjustment based on on-going performance assessments including CAB and accreditation body feedback.

Guidance on Audit Intensity for CABs

The tool supports CABs, their social auditors, and ASC in determining key parameters for the social audit based on the risk assessment. The audit aspects covered:

By Social Themes

1. Audit scope: (coverage of standard indicators)
2. Audit frequency (1x per cycle to at least annual)
3. On-site or remote audit
4. Auditor (social) qualification requirements

By Audit

1. Audit announcement (announced v unannounced & frequency)
2. Audit scope for sub-contractors (subcontracted farms/factories and services)
3. Audit scope for complaints resolution
4. Min. sample-size of workers to be interviewed.

Examples of audit intensity results for (i) lowest & (ii) highest risk settings (surveillance audit, Australia, 5-sites and 100 workers) are given below.

(i) Lowest-risk scenario using input from *Table 3* above

B. OUTPUT - AUDIT INSTRUCTION				
	AI. FACTORS	**Management Systems Criterion**	**Labour Rights Criterion**	**Community Rights Criterion**
Social Social	C1. Audit Scope	Community only	Skip indicators related to labour contractors	Not all Community Rights indicators (tbc)
	C2. Audit Frequency	1x per cycle (exc. country-specific issues)	1x per cycle (exc. country-specific issues)	1x per cycle (exc. country-specific issues)
	C3. On-site or Remote Audit	Remote	On-site	On-site
	C4. Auditor Qualification	ASC social training passed	ASC social training passed	ASC social training passed
	C5. Audit Announcement	Announced		
	C6. Sub-contracted Farms & Services: Scope	Skip all indicators on subcontractors/services		
	C7. Complaints Resolution: Scope	All critical indicators & in-depth audit of grievance mechanism; focusing on interviewing workers and communities regarding complaints		
	C8. Min. number of workers to be interviewed (across all audit sites)	12		

(ii) Highest-risk scenario example

A. DATA INPUT (CAB/ auditor)

A1. Highest number of employees across the unit of certification - in production cycle?	100	
A2. Country in which the unit of certification is located?	Australia	Mgt. Risk Rank
A3. Existing management system based social standard certification?	No 3rd-party scheme	3

A4. Worker Rights - Labour contractors, migrant & seasonal labour

a. Is/are labour contractor(s) (brokers/middlemen) used?	Yes	
b. Are migrant workers from same country?	Yes	
c. Are international migrant workers present?	Yes	Agg. Risk Rank
d. Temporary/ seasonal worker level?	High	3

A5. Community Rights

a. UoC within or directly adjacent to indigenous or vulnerable communities?	Yes	
b. Unresolved (substantive) community complaints against UoC?	Yes	Agg. Risk Rank
c. Environmental and/or Social Impact Assessment (ESIA) identifies severe & probable community impacts?	Yes	3

A6. Complaints resolution performance

a. Presence of internal or external complaints?	Yes	
b. Internal or external complaints unresponded or unresolved within deadline?	YES	Agg. Risk Rank
c. Complaint responses/ resolution delayed or avoided AND/OR escalated to legal actions?	YES	3

A7. Subcontractors (both on-site and off-site)

a. Subcontractor(s) used?	Yes	
b. Subcontractor(s) are not ASC certified?	YES	Agg. Risk Rank
c. Subcontractors not annually monitored by competent UoC staff on ASC standard with records accessible to ASC auditors?	YES	3

A8. Resolution of social non-conformities (NCs)

a. Any social NCs in prior ASC or other 3rd-party audit?	Yes	
b. Any social NCs in prior ASC audit not closed by deadline?	Yes	Agg. Risk Rank
c. Any social NCs in any prior 3rd-party audits not closed by deadline?	Yes	3

A9. No. of social non-conformities (NCs) detected in prior audit

	Minor NCs	Major NCs	Critical NCs
a. Effective Management System	2	2	0
b. Workers Rights	10	2	1
c. Community Rights	1	1	0

B. OUTPUT - AUDIT INSTRUCTION

AI. FACTORS	Management Systems Criterion	Labour Rights Criterion	Community Rights Criterion
C1. Audit Scope	All social indicators	All workers rights indicators (in-depth : trafficking, forced labour, wages, labour contractors, accommodation)	All community rights indicators
C2. Audit Frequency	Annual (at least)	Annual (at least)	Annual
C3. On-site or Remote Audit	On-site	On-site	On-site
C4. Auditor Qualification	Social auditor qualification	Social auditor qualification	Social auditor qualification
C5. Audit Announcement	Unannounced		
C6. Sub-contracted Farms & Services: Scope	All indicators; all relevant indicators at subcontractors premises		
C7. Complaints Resolution: Scope	All indicators; in-depth audit of griecance mechanism; focus on interviewing workers and community regarding complaints		
C8. Min. number of workers to be interviewed (across all audit sites)	25		

Social Criteria - Audit Intensity

Social Auditor Training

As soon as the first stage of the aligned standard and this Social Auditing Methodology is approved, ASC will develop its own a series of social auditor training. To carry out audits against ASC social requirements, auditors must successfully pass the training.

There are two (2) types of auditors who may conduct audits of ASC social requirements.

(a) "ASC social auditor qualification", meaning that all competencies requirements in CAR Annex B Table C must be met, and

(b) "ASC social training passed", meaning that ASC environmental auditors who have passed ASC specific social training. Auditors of this type (b) may only conduct ASC social audits in lowest-risk scenarios.

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